

## Message Text

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ACTION EUR-12

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C O N F I D E N T I A L OECD PARIS 11635

PASS CEA, TREAS, FRB

E.O. 11652: GDS  
TAGS: OECD, ECON  
SUBJECT: APRIL 29 MEETING OF ECONOMIC POLICY COMMITTEE  
(EPC) BUREAU: OECD SECRETARIAT PAPER ON SHORT TERM  
ECONOMIC OUTLOOK

REF: OECD PARIS 6537

1. PURSUANT TO AGREEMENT AT MARCH 1 MEETING OF EPC  
BUREAU, SECRETARIAT HAS CIRCULATED TO BIG SEVEN  
COUNTRIES A PAPER WHICH PRESENTS INFORMAL AND RATHER  
IMPRESSIONISTIC UPDATE OF ECONOMIC OUTLOOK AND WHICH  
IDENTIFIES AND BRIEFLY DISCUSSES MAJOR POLICY ISSUES  
POSED BY CURRENT ECONOMIC SITUATION AND EXPECTED TRENDS.  
PAPER DESIGNED TO ASSIST DISCUSSION AT APRIL 29 MEETING  
OF EPC BUREAU IN WASHINGTON. PAPER WILL BE HAND-  
CARRIED TO R. GELBARD (EUR/RPE) BY F. THOMAS (EB) ON  
APRIL 21.

2. MAIN FEATURES OF PAPER ARE (A) DOWNWARD REVISION OF  
U.S. GROWTH RATE TO 4.5 PERCENT FROM 5 PERCENT FORECAST  
AT TIME OF MARCH EPC MEETING (DOWNWARD REVISION  
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PRIMARILY REFLECTS SECRETARIAT'S INITIAL ASSESSMENT OF  
EFFECT OF WITHDRAWAL OF TAX REBATE AND CONSEQUENT LOWER  
GROWTH IN SECOND HALF OF 1977); (B) UPWARD REVISION OF  
GROWTH FORECASTS FOR GERMANY AND ITALY. FORECAST OF  
JAPANESE GROWTH REMAINS AT 5.25 PERCENT PROJECTED IN  
MARCH; (C) FORECAST OF 3-3/4 PERCENT FOR GNP GROWTH OF  
OECD AREA AS WHOLE IN 1977 (THIS FORECAST IS IDENTICAL

WITH THAT CONTAINED IN DECEMBER, 1976 ECONOMIC OUTLOOK  
AND CONTRASTS WITH 4 PERCENT GROWTH RATE PROJECTED  
AT TIME OF MARCH EPC); (D) RESULTS OF PRELIMINARY  
ANALYSIS APPARENTLY UNDERTAKEN PURSUANT TO UNDER  
SECRETARY COOPER'S SUGGESTION (AT MARCH XCSS) THAT  
SECRETARIAT EXAMINE GROWTH IMPLICATIONS OF HYPOTHETICAL  
SCENARIO UNDER WHICH DEFICIT COUNTRIES BEAR ENTIRE  
BURDEN OF BALANCE OF PAYMENTS ADJUSTMENT THROUGH  
DEFLATION AND/OR TRADE RESTRICTIONS. SECRETARIAT ASSUMES  
IF DEFICIT COUNTRIES (OTHER THAN U.K. AND ITALY, WHOSE  
CURRENT ACCOUNT EXPECTED TO IMPROVE) WERE TO HALVE THEIR  
1976 CURRENT ACCOUNT DEFICITS BY 1978, EFFECTS ON U.S.  
AND JAPANESE GROWTH WOULD BE MINIMAL, BUT DECLINE IN  
EUROPEAN GROWTH RATES WOULD BE SIGNIFICANT (I.E., MORE  
THAN ONE PERCENT PER YEAR IN FRG AND ABOUT 2 PERCENT  
PER YEAR IN COUNTRIES TAKING RESTRICTIVE MEASURES).  
TURNER

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## Message Attributes

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